

**CARTER COUNTY SCHOOL DISTRICT
BOARD OF EDUCATION**

**FINANCIAL REPORT
JUNE 30, 2009**

**Carter County School District
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For the Year Ended June 30, 2009**

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DONALD R. GOSSETT & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Carter County Board of Education
Grayson, Kentucky

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carter County School District (the "District") as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the Independent Auditor's Contract-General Audit Requirements, Appendix II of the Independent Auditor's Contract-State Audit Requirements, and Appendix III of the Independent Auditor's Contract-Electronic Submission. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, major fund, and the aggregate remaining fund information of the District, as of June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated November 14, 2009, on my consideration of Carter County School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 13 through 14, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have

applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise of the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards contained on pages 36 and 37 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

Donald R. Gossett & Company, LLC

Donald R. Gossett & Company, LLC
Certified Public Accountant

Ironton, Ohio
November 14, 2009

**CARTER COUNTY SCHOOL DISTRICT-GRAYSON, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FISCAL YEAR ENDED JUNE 30, 2009**

As management of the Carter County School District, we offer readers of our District's financial statements this narrative overview and analysis of the financial activities of the District for the Fiscal Year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning net assets for unreserved Governmental Activities was \$2,013,113 ending the Fiscal Year on June 30, 2008.
- The ending net assets for Governmental Activities increased \$412,219 to a balance of \$2,425,332 ending the Fiscal Year on June 30, 2009.
- The district attributes the increase during the year to a couple major factors: Increased federal funds in the form of "American Recovery & Reinvestment Act" expended during the year and decreased costs in certain expendable goods including petroleum products.
- The beginning district-wide net assets including capital assets and related long term debt was \$19,773,143 ending the Fiscal Year on June 30, 2008.
- The ending district-wide net assets increased \$466,497 to \$20,239,640 ending the Fiscal Year June 30, 2009.
- The increase in district-wide net assets is the result of the same factors named above and the addition of capital assets and associated retirement of bond principal in excess of depreciation and debt incurrence.
- The fundable average daily attendance for the Fiscal Year ended June 30, 2008 was 4,315.
- The fundable average daily attendance decreased for the third straight year to bring our total to 4,276 for the 2009 Fiscal Year.
- There were no major construction projects during the period.

OVERVIEW OF FINANCIAL OF STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's financial statements consist of three basic components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements. This report contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent past fiscal year. All changes in net assets are reported as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student

transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The governmental-wide financial statements can be found on pages 7-8 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 9-19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-30 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$20,239,640 as of June 30, 2009.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Assets for the period ending June 30, 2009

Current Assets	\$ 5,878,194
Noncurrent Assets	38,202,326
Total Assets	<u>44,080,520</u>
Current Liabilities	3,247,833
Noncurrent Liabilities	20,593,045
Total Liabilities	<u>23,840,878</u>
Net Assets	
Investment in capital assets (net of debt)	16,078,891
Unreserved Fund Balance	4,160,751
Total Net Assets	<u>\$ 20,239,640</u>

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

Comments on Budget Comparisons

- The District's total revenue for the fiscal year ended June 30, 2009, net of Interfund transfers was \$46,781,576.
- General fund budget compared to actual revenue varied from line item to line item with the ending actual balance being \$6,393,741 less than budget.
- General fund budget compared to actual expenditures varied from line item to line item with the ending actual balance being \$5,711,642 more than budget.
- The significant difference in line items for both revenues and expenditures was a result of unbudgeted on-behalf-of payments made by the State of Kentucky for employee health insurance and retirement benefits. These are recorded as both revenue from the state and expenditure for our employee's benefits.
- The total cost of all programs and services was net of debt service and fund transfers.
- The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2009, excluding fund transfers and activity funds.

	<u>Amount</u>
Revenues:	
Taxes	\$ 4,962,914
State Aid-Formula Grants	29,876,793
Grants and Contributions	10,934,268
Charges for Services	539,589
Investment Earnings	127,190
Other	340,822
Total Revenues	<u>\$ 46,781,576</u>
Expenses:	
Instruction	\$ 26,436,610
Student Support Services	1,920,827
Instructional Support	1,852,395
District Administration	650,877
School Administration	2,041,656
Business Support	659,252
Plant Operations	5,536,205
Student Transportation	3,225,025
Food Service Operations	2,489,389
Community Support	542,504
Other	960,338
Total Expenses	<u>\$ 46,315,078</u>
Revenue in Excess of Expense	<u><u>\$ 466,497</u></u>

Revenue

The majority of revenue was derived from state funding (76%) with local taxes making up 11% of total revenue.

School Allocation

Regular Instruction accounts for 57% of the school level expenditures.

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with \$2.0 million in contingency in the current 2010 school year. Significant Board action that impacts the finances includes a 1% increase for certified and classified salary schedules.

Questions regarding this report should be directed to the Superintendent, Darlene Gee, (606) 474-6696, or to Jerry A. Lyons, Business Office Manager, (606) 474-6696, or by mail at 228 South Carol Malone Blvd., Grayson, KY 41143.

Carter County Schools
Statement of Net Assets
June 30, 2009

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
<u>Current assets</u>			
Cash and equivalents	\$ 3,537,544	\$ 557,048	\$ 4,094,592
Accounts receivable:			
Taxes	210,865	-	210,865
Other	11,625	-	11,625
Intergovernmental -state	1,481,257	-	1,481,257
Intergovernmental -federal	6,753	16,500	23,253
Fiduciary	15,086	-	15,086
Inventories	-	41,516	41,516
Total current assets	5,263,130	615,064	5,878,194
<u>Noncurrent Assets</u>			
Nondepreciated capital assets:			
Land	1,535,033	-	1,535,033
Land improvements	248,262	-	248,262
Buildings and improvements	47,086,742	-	47,086,742
Technology equipment	8,249,949	1,133,500	9,383,449
Vehicles	-	-	-
Machinery and equipment	-	-	-
Less: accumulated depreciation	(19,549,571)	(773,471)	(20,323,042)
Bond issuance cost	324,763	-	324,763
Less: accumulated amortization	(52,881)	-	(52,881)
Total Noncurrent Assets	37,842,297	360,029	38,202,326
Total Assets	<u>\$ 43,105,427</u>	<u>\$ 975,093</u>	<u>\$ 44,080,520</u>
LIABILITIES			
<u>Current Liabilities</u>			
Accounts payable	\$ 325,044	\$ 10,513	\$ 335,557
Accrued payroll and related expenses	957,053	-	957,053
Deferred Revenues	89,113	-	89,113
Interest payable	234,132	-	234,132
Current portion of bond obligations	1,295,000	-	1,295,000
Current portion of capital lease obligations	31,575	-	31,575
Current portion of accrued sick leave	305,403	-	305,403
Total current liabilities	3,237,320	10,513	3,247,833
<u>Noncurrent Liabilities</u>			
Non current portion of bond obligations	18,860,000	-	18,860,000
Noncurrent portion of capital lease obligations	89,866	-	89,866
Noncurrent portion of accrued sick leave	1,643,181	-	1,643,181
Total noncurrent liabilities	20,593,047	-	20,593,047
Total liabilities	<u>23,830,367</u>	<u>10,513</u>	<u>23,840,880</u>
NET ASSETS			
Invested in capital assets, net of related debt	15,718,863	360,028	16,078,891
Restricted for:			
Capital projects	-	-	-
Debt service fund	-	-	-
Accrued sick leave	-	-	-
Unrestricted	3,556,197	604,552	4,160,749
Total net assets	<u>\$ 19,275,060</u>	<u>\$ 964,580</u>	<u>\$ 20,239,640</u>

See independent auditor's report and accompanying notes to financial statements.

**Carter County Schools
Statement of Activities
For the Year Ended June 30, 2009**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and	Capital Grants and	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instructional	\$ 26,436,610	\$ -	\$ 5,130,052	\$ -	\$ (21,306,558)	\$ -	\$ (21,306,558)
Student support services	1,920,827	-	47,091	-	(1,873,736)	-	(1,873,736)
Staff support services	1,852,395	-	187,190	-	(1,665,205)	-	(1,665,205)
District administration	650,877	-	-	-	(650,877)	-	(650,877)
School administration	2,041,656	-	-	-	(2,041,656)	-	(2,041,656)
Business support services	659,252	-	-	-	(659,252)	-	(659,252)
Plant operation and maintenance	5,536,205	19,843	88,288	-	(5,428,074)	-	(5,428,074)
Student transportation	3,225,025	-	165,350	-	(3,059,675)	-	(3,059,675)
Central office	540,222	-	520,615	-	(19,607)	-	(19,607)
Community service operations	2,283	-	-	-	(2,283)	-	(2,283)
Facility acquisition and construction	-	-	-	2,754,091	2,754,091	-	2,754,091
Interest on long-term debt	943,595	-	-	-	(943,595)	-	(943,595)
Amortization bond issue cost	16,743	-	-	-	(16,743)	-	(16,743)
Total governmental activities	43,825,690	19,843	6,138,586	2,754,091	(34,913,170)	-	(34,913,170)
Business-type activities:							
Food Service	2,489,389	519,746	2,041,591	-	-	71,948	71,948
Total business-type activities	2,489,389	519,746	2,041,591	-	-	71,948	71,948
Total primary government	\$ 46,315,079	\$ 539,589	\$ 8,180,177	\$ 2,754,091	\$ (34,913,170)	\$ 71,948	(34,841,222)
General revenues:							
Taxes					\$ 4,962,914	\$ -	\$ 4,962,914
State grants					29,876,793	-	29,876,793
Investment earnings					115,390	11,800	127,190
Miscellaneous					339,490	-	339,490
Gains on sales of fixed assets					5,875	(4,543)	1,332
Total general revenues, special items, and transfers					35,300,462	7,257	35,307,719
Change in net assets					387,292	79,205	466,497
Net assets - beginning					18,887,769	885,375	19,773,143
Net assets - ending					\$ 19,275,061	\$ 964,580	\$ 20,239,640

See independent auditor's report and accompanying notes to financial statements.

**Carter County Schools
Balance Sheet
Governmental Funds
June 30, 2009**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 3,658,047	\$ (1,281,689)	\$ 1,161,186	\$ 3,537,544
Accounts receivable				
Taxes	210,865	-	-	210,865
Other	11,625	-	-	11,625
Intergovernmental -state	765	1,480,492	-	1,481,257
Intergovernmental -federal	6,753	-	-	6,753
Due from other funds	15,086	-	-	15,086
Total assets	<u>\$ 3,903,141</u>	<u>\$ 198,803</u>	<u>\$ 1,161,186</u>	<u>\$ 5,263,130</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 215,355	\$ 109,689	\$ -	\$ 325,044
Accrued payroll and related expenses	957,053	-	-	957,053
Deferred revenue	-	89,113	-	89,113
Sick leave payable	305,403	-	-	305,403
Total liabilities	<u>1,477,811</u>	<u>198,802</u>	<u>-</u>	<u>1,676,613</u>
Fund balances:				
Reserved for:				
Encumbrances	-	-	-	-
Unreserved	2,425,330	-	-	2,425,330
Unreserved, reported in non-major:				
Capital projects	-	-	1,130,869	1,130,869
Debt service fund	-	-	30,317	30,317
Total fund balances	<u>2,425,330</u>	<u>-</u>	<u>1,161,186</u>	<u>3,586,516</u>
Total liabilities and fund balances	<u>\$ 3,903,141</u>	<u>\$ 198,802</u>	<u>\$ 1,161,186</u>	<u>\$ 5,263,129</u>

See independent auditor's report and accompanying notes to financial statements

Carter County Schools
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2009

Total fund balance, governmental funds	\$	3,586,516
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Amounts reported for governmental activities in the Statement of AC\Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets:

Cost of bond issuance	\$	324,763	
Accumulated amortization		(52,881)	
Cost of capital assets		57,119,986	
Accumulated depreciation		(19,549,571)	37,842,297

Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets:

Bonds payable	\$	(20,155,000)	
Accrued interest on bonds		(234,132)	
Leases Payable		(121,441)	
Accrued sick leave		(1,643,180)	(22,153,753)

Net Assets of Governmental Activities in the Statement of Net Assets	\$	19,275,060
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Carter County Schools
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 4,522,549	\$ -	\$ 440,365	\$ 4,962,914
Earnings on investments	115,390	1,145	-	116,535
Intergovernmental - state	29,876,793	2,303,447	2,754,091	34,934,331
Intergovernmental - federal	224,184	3,816,218	-	4,040,402
Other sources	128,656	17,776	6,493	152,925
Total revenues	<u>34,867,572</u>	<u>6,138,586</u>	<u>3,200,949</u>	<u>44,207,107</u>
EXPENDITURES				
Instruction	21,091,429	5,222,434	-	26,313,863
Student support services	1,851,391	47,091	-	1,898,482
Staff support services	1,355,936	187,190	-	1,543,126
District administration	649,843	-	-	649,843
School administration	2,040,111	-	-	2,040,111
Business support services	654,918	-	-	654,918
Plant operation and maintenance	3,588,167	88,288	983,680	4,660,135
Student transportation	3,182,359	165,350	-	3,347,709
Food service	2,283	-	-	2,283
Community service operations	18,821	520,615	-	539,436
Facilities acquisition and construction	-	-	-	-
Debt service:	-	-	-	-
Principal	-	-	7,795,765	7,795,765
Interest	-	-	1,035,063	1,035,063
Total Expenditures	<u>34,435,258</u>	<u>6,230,968</u>	<u>9,814,508</u>	<u>50,480,734</u>
Excess (deficiency) of revenues over expenditures	<u>432,314</u>	<u>(92,382)</u>	<u>(6,613,559)</u>	<u>(6,273,627)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	99,837	101,522	2,955,741	3,157,100
Transfers out	(127,044)	(9,140)	(2,922,218)	(3,058,402)
Total other financing sources and uses	<u>(27,207)</u>	<u>92,382</u>	<u>33,523</u>	<u>98,698</u>
SPECIAL ITEM				
Proceeds from sale of bonds	-	-	6,115,000	6,115,000
Proceeds from sale of equipment	7,112	-	-	7,112
Net change in fund balances	<u>412,219</u>	<u>-</u>	<u>(465,036)</u>	<u>(52,817)</u>
Fund balances - beginning	2,013,113	-	1,626,220	3,639,333
Fund balances - ending	<u>\$ 2,425,332</u>	<u>\$ -</u>	<u>\$ 1,161,184</u>	<u>\$ 3,586,516</u>

See independent auditor's report and accompanying notes to financial statements.

Carter County Schools
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2009

Net change in fund balances - total governmental funds: \$ (52,817)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which depreciation exceeded capital outlays in the current period. (1,006,112)

Bond proceeds are reported as financial sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets however issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Principal paid	7,795,765
Proceeds from bonds	(6,115,000)
Bond issue cost paid	28,090
Amortization expense	(16,743)
Decrease in accrued interest	63,376

In the statement of activities certain operating expenses such as compensated absences are measured by the amounts earned during the year. In the governmental funds however, expenditures for these items are measured by the amount of financial resources used. This year compensated absences exceeded the amounts earned by (309,267)

Change in net assets of governmental activities	\$ 387,292
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Carter County Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (with Variances)
General Fund
For the year ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Taxes	\$ 4,559,304	\$ 4,559,304	\$ 4,522,549	\$ (36,755)
Other local sources	285,000	285,000	115,390	(169,610)
Intergovernmental - state	23,280,693	23,378,024	29,876,793	6,498,769
Intergovernmental federal	213,064	213,064	224,184	11,120
Other sources	35,272	38,439	128,656	90,217
Total revenues	<u>28,373,333</u>	<u>28,473,831</u>	<u>34,867,572</u>	<u>6,393,741</u>
EXPENDITURES				
Current:				
Instruction	16,583,673	16,600,443	21,091,429	(4,490,986)
Student support services	1,509,237	1,505,378	1,851,391	(346,013)
Staff support services	1,078,040	1,043,568	1,355,936	(312,368)
District administration	535,222	534,222	649,843	(115,621)
School administration	1,662,067	1,740,124	2,040,111	(299,987)
Business support services	574,093	594,093	654,918	(60,825)
Plant operation and maintenance	3,442,697	3,364,208	3,588,167	(223,959)
Student transportation	3,440,529	3,321,129	3,182,359	138,770
Food service	700	700	2,283	(1,583)
Community service operations	19,571	19,751	18,821	930
Total Expenditures	<u>28,845,829</u>	<u>28,723,616</u>	<u>34,435,258</u>	<u>(5,711,642)</u>
Excess (deficiency) of revenues over expenditures	<u>(472,496)</u>	<u>(249,785)</u>	<u>432,314</u>	<u>682,099</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	123,304	123,304	99,837	(23,467)
Transfers out	<u>(116,280)</u>	<u>(120,280)</u>	<u>(127,044)</u>	<u>(6,764)</u>
Total other financing sources and uses	<u>7,024</u>	<u>3,024</u>	<u>(27,207)</u>	<u>(30,231)</u>
SPECIAL ITEM				
Proceeds from sale capital assets	-	-	7,112	7,112
Net change in fund balances	<u>(465,472)</u>	<u>(246,761)</u>	<u>412,219</u>	<u>658,980</u>
Fund balances - beginning	2,046,231	2,013,113	2,013,113	-
Fund balances - ending	<u>\$ 1,580,759</u>	<u>\$ 1,766,352</u>	<u>\$ 2,425,332</u>	<u>\$ 658,980</u>

See independent auditor's report and accompanying notes to financial statements.

Carter County Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (with Variances)
Special Revenue Fund
For the year ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental - state	2,290,886	2,078,736	2,303,447	224,711
Intergovernmental - federal	3,382,864	6,094,444	3,816,218	(2,278,226)
Other sources	2,852	16,652	18,921	2,269
Total revenues	<u>5,676,602</u>	<u>8,189,832</u>	<u>6,138,586</u>	<u>(2,051,246)</u>
EXPENDITURES				
Current:				
Instruction	4,783,919	7,309,641	5,222,434	2,087,207
Student support services	87,158	102,358	47,091	55,267
Staff support services	123,100	127,827	187,190	(59,363)
District administration	321	321	-	321
School administration	-	-	-	-
Business support services	-	-	-	-
Plant operation and maintenance	83,198	113,435	88,288	25,147
Student transportation	149,629	82,100	165,350	(83,250)
Central office	-	-	-	-
Community service operations	529,277	534,300	520,615	13,685
Total Expenditures	<u>5,756,602</u>	<u>8,269,982</u>	<u>6,230,968</u>	<u>2,039,014</u>
Excess (deficiency) of revenues over expenditures	<u>(80,000)</u>	<u>(80,150)</u>	<u>(92,382)</u>	<u>12,232</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases				
Transfers in	80,000	80,000	101,522	21,522
Transfers out	-	-	(9,140)	(9,140)
Total other financing sources and uses	<u>80,000</u>	<u>80,000</u>	<u>92,382</u>	<u>12,382</u>
Net change in fund balances	-	(150)	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ (150)</u>	<u>\$ 92,382</u>	<u>\$ -</u>

See independent auditor's report and accompanying notes to financial statements.

**Carter County Schools
Statement of Net Assets
Proprietary Funds
June 30, 2009**

	<u>Enterprise Fund</u>
	<u>Food Service</u>
	<u>Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 557,048
Accounts receivable	16,500
Inventories	41,516
Total current assets	<u>615,064</u>
Non-current assets:	
Capital Assets	1,133,500
Less Accumulated depreciation	<u>(773,471)</u>
Total non-current assets	<u>360,029</u>
Total assets	<u><u>\$ 975,093</u></u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 10,513
Total current liabilities	<u>10,513</u>
Total liabilities	<u>10,513</u>
NET ASSETS	
Invested in capital assets, net of related debt	360,028
Unrestricted	604,552
Total net assets	<u><u>\$ 964,580</u></u>

See independent auditor's report and accompanying notes to financial statements.

Carter County Schools
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2009

	<u>Enterprise Fund</u> <u>Food Service</u> <u>Fund</u>
REVENUES	
Lunchroom sales	\$ 519,476
Miscellaneous	270
Total operating revenues	<u>519,746</u>
OPERATING EXPENSES	
Salaries and wages	1,236,928
Contractual services	42,639
Materials and supplies	1,087,519
Other operating expenses	-
Depreciation	51,509
Total Operating Expenses	<u>2,418,595</u>
Operating income (loss)	<u>(1,898,849)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income	11,800
State grants	270,466
Federal grants	1,623,825
Donated commodities	137,408
Loss on sale of assets	(4,543)
Total non-operating revenue (expenses)	<u>2,038,956</u>
Income (loss) before contributions and transfers	140,107
Transfers out	<u>(60,902)</u>
Change in net assets	79,205
Total net assets - beginning	885,375
Total net assets - ending	<u>\$ 964,580</u>

See independent auditor's report and accompanying notes to financial statements.

**Carter County Schools
Statement of Cash Flows
For the Year Ended June 30, 2009**

	<u>Enterprise Fund</u>
	<u>Food Service Fund</u>
CASH FLOW FROM OPERATING ACTIVITIES	
Cash received from:	
Lunchroom sales	\$ 519,476
Other activities	269
Cash paid to/for:	
Employees	(993,981)
Supplies	(931,388)
Other activities	(60,469)
Net cash used in operating activities	(1,466,093)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of equipment	(21,479)
Net cash used in operating activities	(21,479)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Government grants	1,634,844
Transfers out	(98,697)
Net cash provided by operating activities	1,536,147
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	11,800
Net cash provided by operating activities	11,800
NET DECREASE IN CASH AND CASH EQUIVALENTS	60,375
Balance, beginning of year	496,673
Balance, end of year	\$ 557,048
Reconciliation of operating income(loss) to net cash provided (used) by operating activities	
Operating Loss	\$ (1,898,849)
Adjustments to reconcile operating income (loss) to cash used for operating activities:	
Depreciation	51,509
Commodities used	137,408
Onbehalf payments	242,947
Changes in assets and liabilities:	
Inventories	1,824
Accounts payable	(931)
Net cash used in operating activities	<u>\$ (1,466,092)</u>

See independent auditor's report and accompanying notes to financial statements.

Carter County Schools
Statement of Net Assets
Fiduciary Funds
June 30, 2009

	<u>Private Purpose Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 189,264	\$ 450,413
Total assets	<u>189,264</u>	<u>450,413</u>
LIABILITIES		
Due to student groups	-	15,086
Total liabilities	<u>-</u>	<u>15,086</u>
NET ASSETS		
Held in trust for benefits and other purposes	<u>\$ 189,264</u>	<u>\$ 435,327</u>

See independent auditor's report and accompanying notes to financial statements.

Carter County Schools
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2009

	<u>Private Purpose</u> <u>Trust Funds</u>
ADDITIONS	
Fees and collections	\$ 2,948
Transfers in	379
Total other additions	<u>3,327</u>
Total additions	<u>3,327</u>
DEDUCTIONS	
Scholarships	2,500
Transfers out	<u>-</u>
Total deductions	2,500
Change in net assets	827
Net assets - beginning	<u>188,437</u>
Net assets - ending	<u><u>\$ 189,264</u></u>

See independent auditor's report and accompanying notes to financial statments.

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Carter County Board of Education ("Board"), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the Carter County School District ("District"). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Carter County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Carter County School District Finance Corporation - On August 14, 1989, the Carter County, Kentucky, Board of Education resolved to authorize the establishment of the Carter County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Carter County Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
 - 2. The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
 - 3. The Construction Fund includes Capital Projects Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

- (D) Debt Service Funds are used to account for the accumulation of resources for, and payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Type (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (includes agency and trust funds)

The Activity Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the *Uniform Program of Accounting for School Activity Funds*. The trust funds account for funds restricted for scholarship purposes.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

are incurred. The fair value of donated commodities used during the school year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in the governmental funds.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective fund. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras, and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

Description	Governmental Activities
	Estimated Lives
Building and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

Inventories

Supplies and materials are charged to expenditures when purchased with the exception of the Proprietary Funds, which records inventory at cost, on the first-in, first-out basis, using the accrual basis of accounting.

Deferred Revenue

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred revenue until earned.

Property tax revenues and other governmental fund financial resource increments (i.e., bond issue proceeds) are recognized in the accounting period in which they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the fiscal period.

Budget

The District is required by state law to adopt annual budgets for the general fund, special revenue fund, capital outlay fund and the food service fund. Each budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business property located in the district.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

NOTE B – ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C - CASH AND CASH EQUIVALENTS

At June 30, 2009, the carrying amount of the District's cash and cash equivalents was \$4,734,269 and the bank balance was \$10,280,630. Of the total cash balance, \$260,714 was covered by Federal Depository Insurance Corporation, with the remainder covered by a collateral agreement and collateral held by the pledging banks' trust departments in the district's name.

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

	Bank Balance	Book Balance
First National Bank	\$ 10,269,916	\$ 4,723,555
Commercial Bank of Grayson	10,714	10,714
	<u>\$ 10,280,630</u>	<u>4,734,269</u>
Governmental Funds		3,537,544
Proprietary Funds		557,048
Agency Funds		639,677
		<u>\$ 4,734,269</u>

NOTE D – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

<u>Governmental Activities</u>	Balance June 30, 2008	Additions	Deductions	Balance June 30, 2009
Land	\$ 1,285,033	\$ 250,000	\$ -	\$ 1,535,033
Land improvements	248,262	-	-	248,262
Construction in process	-	-	-	-
Buildings and improvements	47,086,742	-	-	47,086,742
Technology equipment	2,195,207	167,063	162,854	2,199,416
Machinery and equipment	597,982	6,006	149,056	454,932
Vehicles	5,105,698	493,904	4,000	5,595,602
Totals at historical cost	<u>\$ 56,518,924</u>	<u>\$ 916,973</u>	<u>\$ 315,910</u>	<u>\$ 57,119,987</u>
Less: accumulated depreciation				
Land	\$ -	\$ -		\$ -
Land improvements	123,097	10,080	-	133,177
Buildings and improvements	13,069,252	1,161,744	-	14,230,996
Technology equipment	1,297,594	293,820	160,661	1,430,753
Machinery and equipment	327,358	44,125	111,261	260,222
Vehicles	3,125,097	371,795	2,467	3,494,425
Total accumulated depreciation	17,942,398	1,881,564	274,389	19,549,573
Government Activities				
Capital Assets-Net	<u>\$ 38,576,526</u>	<u>\$ (964,591)</u>	<u>\$ 41,521</u>	<u>\$ 37,570,414</u>

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

<u>Business-Type Activities</u>	Balance June 30, 2008	Additions	Deductions	Balance June 30, 2009
Food service equipment	\$ 972,880	\$ 168,935	\$ 8,315	\$ 1,133,500
Less: accumulated depreciation				
Food service equipment	616,074	161,031	3,633	773,472
Business-Type Activities				
Capital Assets-Net	\$ 356,806	\$ 7,904	\$ 4,682	\$ 360,028

NOTE E - LEASE OBLIGATIONS AND BONDED DEBT

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued by the Carter County School District Financial Corporation and the Kentucky School Construction Commission aggregating \$20,155,000.

The original amount of each issue, the issue date, and interest rates are summarized below:

	<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
1998A		1,625,000	4.55%
1999		7,465,000	4.47%
2001		3,210,000	3.82%
2003		3,510,000	2.27%
2005		4,445,000	3.91%
2006		6,630,000	4.14%
2008		1,375,000	4.80%
2009		6,115,000	3.55%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Carter County School District Financial Corporation and the Kentucky School Construction Commission to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The changes in the general long-term debt for the year ended June 30, 2009, were as follows:

	Balance 6/30/2008	New Issues	Retirements	Balance 6/30/2009
1998A Issue	\$ 545,000	\$ -	\$ 175,000	\$ 370,000
1999 Issue	6,325,000	-	6,075,000	250,000
2001 Issue	1,830,000	-	335,000	1,495,000
2003 Issue	890,000	-	890,000	-
2005 Issue	4,400,000	-	25,000	4,375,000
2006 Issue	6,440,000	-	105,000	6,335,000
2008 Issue	1,375,000	-	160,000	1,215,000
2009 Issue	-	6,115,000	-	6,115,000
	<u>\$ 21,805,000</u>	<u>\$ 6,115,000</u>	<u>\$ 7,765,000</u>	<u>\$ 20,155,000</u>

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

The District has entered into “participation agreements” with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs.

The bonds may be called prior to maturity and redemption premiums are specified in each issue.

Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the district, including amounts to be paid by the Commission, at June 30, 2009, for debt service (principal and interest) are as follows:

Year	CARTER COUNTY SCHOOL DISTRICT		KY SCHOOL CONSTRUCTION COMMISSION		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 773,896	\$ 529,210	\$ 521,104	\$ 170,268	\$ 1,295,000	\$ 699,478
2011	775,666	527,940	534,334	158,888	1,310,000	686,828
2012	803,259	502,386	361,741	140,527	1,165,000	642,913
2013	828,653	474,904	361,347	129,760	1,190,000	604,664
2014	858,401	445,087	326,599	117,818	1,185,000	562,905
2015	885,800	417,964	334,200	107,380	1,220,000	525,344
2016	914,254	388,832	345,746	96,312	1,260,000	485,144
2017	945,278	357,892	349,722	84,473	1,295,000	442,365
2018	978,435	324,212	361,565	71,974	1,340,000	396,186
2019	1,015,513	289,274	374,487	59,051	1,390,000	348,325
2020	800,508	246,568	144,492	45,007	945,000	291,575
2021	830,028	215,226	149,972	39,517	980,000	254,743
2022	869,255	182,370	155,745	33,743	1,025,000	216,113
2023	908,025	147,200	161,975	27,513	1,070,000	174,713
thereafter	2,959,152	213,918	525,848	42,616	3,485,000	256,534
	<u>\$ 15,146,123</u>	<u>\$ 5,262,983</u>	<u>\$ 5,008,877</u>	<u>\$ 1,324,847</u>	<u>\$ 20,155,000</u>	<u>\$ 6,587,830</u>

NOTE F - ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “accumulated sick leave payable” in the general fund. The Noncurrent portion of the liability is not reported.

NOTE G - INTERFUND TRANSFERS

Interfund transfers at June 30, 2009, consisted of the following:

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

<u>Type</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
Operating	Food Service	General Fund	Indirect Costs	\$ 98,697
Operating	General	Special Revenue	Matching	\$ 93,522
Operating	General	Debt Service Fund	Debt service	\$ 33,523
Operating	Capital Outlay	Debt Service Fund	Debt service	\$ 353,025
Operating	Building Fund	Construction Fund	Construction	\$ 1,463,136
Operating	Building Fund	Debt Service Fund	Debt service	\$ 1,106,057
Operating	Govt. Assets	Food Service Assets	Reclassification	\$ 37,795

NOTE H – CAPITAL LEASE PAYABLE

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2009:

Year ending June 30:	
2010	\$ 31,575
2011	32,708
2012	28,012
2013	29,146
2014	
Total minimum lease payments	121,441
Less: Amount representing interest	-
Present value of net minimum lease payments	<u>\$ 121,441</u>

NOTE I - RETIREMENT PLANS

Kentucky Teachers Retirement System:

Plan Descriptions – The Carter County School District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees of the public school systems and other public educational agencies in Kentucky.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes statements and the required supplementary information for the defined benefit pension plan. That report may be obtained by writing to Kentucky Teachers Retirement System, 479 Versailles Rd., Frankfort, Kentucky 40601.

Funding Policy – Contribution rates are established by KRS. Members are required to contribute 9.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of their salaries. Members who were hired after July 1, 2008 are required to contribute 10.855% of their salaries to KTRS with the Commonwealth of Kentucky contributing 14.105%. The federal program for any salaries paid by that program pays the matching contributions. KTRS requires that member of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE).

The Carter County School District's total payroll for the year was \$26,831,884. The payroll for employees covered under KTRS was \$20,004,047. For the year ended June 30, 2009, the Commonwealth contributed \$2,329,978 to KTRS on behalf of the District for the benefit of

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

participating employees. The School districts contributions to KTRS for the year ending June 30, 2009 was \$282,755, which represents those employees covered by federal programs. Total contributions to KTRS for the year ending June 30, 2009 were \$2,612,733, equal to the required contributions for the year.

County Employee's Retirement System

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS), a cost sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly.

Funding for the plan is provided through payroll withholdings of 5.000% and a district contribution of 16.17% of the employee's total compensation subject to contribution. Members who were hired after September 1, 2008 are required to contribute 6.000% of their salaries to CERS. The District's contributions to CERS for the year ending June 30, 2009 were \$855,748, equal to the required contributions for the year.

The CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Rd., Frankfort, Kentucky, 40601, or by calling (502)564-4646 or at their website at www.kyret.com.

NOTE J - CONTINGENCIES

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantors review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the district for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the districts grant program is predicted upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE K - INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicle accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance.

NOTE L - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance program for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The district pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the district continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years.

NOTE N – COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

NOTE O – INTERFUND RECEIVABLES AND PAYABLES

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as “due from other funds” or “due to other funds” on the balance sheets.

NOTE P- LITIGATION

The District is a co-defendant in one law suit involving an employee of a contractor, the City of Olive Hill, Kentucky. The District believes it has adequate insurance to cover any unfavorable outcome.

SUPPLEMENTARY INFORMATION

**Carter County Schools
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009**

	Capital Outlay Fund	Building Fund	Construction Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ -	\$ 426,036	\$ 704,833	\$ 30,317	\$ 1,161,186
Investments	-	-	-	-	-
Accounts receivable					
Taxes	-	-	-	-	-
Intergovernmental - state	-	-	-	-	-
Other	-	-	-	-	-
Due from other funds	-	-	-	-	-
Inventories	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 426,036</u>	<u>\$ 704,833</u>	<u>\$ 30,317</u>	<u>\$ 1,161,186</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -				\$ -
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Accrued payroll and related expenses	-	-	-	-	-
Current portion of accumulated sick leave	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Reserved for:					
Encumbrances	-	-	-	-	-
Unreserved for:					
Capital Projects Fund	-	426,036	704,833	-	1,130,869
Debt Service Fund	-	-	-	30,317	30,317
Total fund balances	<u>-</u>	<u>426,036</u>	<u>704,833</u>	<u>30,317</u>	<u>1,161,186</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 426,036</u>	<u>\$ 704,833</u>	<u>\$ 30,317</u>	<u>\$ 1,161,186</u>

Carter County Schools
Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2009

	Capital Outlay	Building Fund	Construction Fund	Debt Service Fund	Total-Other Governmental Funds
REVENUES					
From local sources					
Taxes	\$ -	\$ 440,365	\$ -	\$ -	\$ 440,365
Earnings on investments	-	-	-	-	-
Intergovernmental - state	431,514	1,102,686	-	1,219,891	2,754,091
Intergovernmental - federal	-	-	-	-	-
Other sources	-	-	6,494	-	6,494
Total revenues	<u>431,514</u>	<u>1,543,051</u>	<u>6,494</u>	<u>1,219,891</u>	<u>3,200,950</u>
EXPENDITURES					
Facilities acquisition and construction	78,489	-	905,191	-	983,680
Debt service:					-
Principal	-	-	-	7,795,765	7,795,765
Interest	-	-	-	1,035,063	1,035,063
Total Expenditures	<u>78,489</u>	<u>-</u>	<u>905,191</u>	<u>8,830,828</u>	<u>9,814,508</u>
Excess (deficiency) of revenues over expenditures	<u>353,025</u>	<u>1,543,051</u>	<u>(898,697)</u>	<u>(7,610,937)</u>	<u>(6,613,558)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of bonds	-	-	-	6,115,000	6,115,000
Transfers in	-	-	1,463,136	1,492,604	2,955,740
Transfers out	(353,025)	(2,569,193)	-	-	(2,922,218)
Total other financing sources and uses	<u>(353,025)</u>	<u>(2,569,193)</u>	<u>1,463,136</u>	<u>7,607,604</u>	<u>6,148,522</u>
Net change in fund balances	-	(1,026,142)	564,439	(3,333)	(465,036)
Fund balances - beginning	-	1,452,178	140,394	33,648	1,626,220
Fund balances - ending	<u>\$ -</u>	<u>\$ 426,036</u>	<u>\$ 704,833</u>	<u>\$ 30,315</u>	<u>\$ 1,161,184</u>

CARTER COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY AND TRUST FUNDS
For the Year Ended June 30, 2009

	Cash Balances July 1, 2008	Receipts	Disbursements	Transfers	Cash Balances June 30, 2009	Accounts Receivable June 30, 2009	Accounts Payable June 30, 2009	Fund Balances June 30, 2009	Deposits Held in Custody for Students June 30, 2009
ACTIVITY FUNDS:									
East Carter High School	\$ 94,856	\$ 333,743	\$ 318,365	\$ (285)	\$ 109,949	\$ -	\$ -	\$ -	\$ 109,949
West Carter High School	83,604	248,090	240,916	1,307	92,085	-	15,086	-	76,999
Carter Elementary School	2,858	4,694	4,388	(1,476)	1,688	-	-	-	1,688
Heritage Elementary School	13,621	61,390	53,570	78	21,519	-	-	-	21,519
Olive Hill Elementary School	29,923	30,714	31,279	(366)	28,992	-	-	-	28,992
Prichard Elementary School	39,471	24,818	32,559	(150)	31,580	-	-	-	31,580
Star Elementary School	2,141	3,090	3,099	(150)	1,982	-	-	-	1,982
Upper Tygart Elementary School	18,156	39,245	38,646	(100)	18,655	-	-	-	18,655
Vocational School	14,425	27,905	22,988	620	19,962	-	-	-	19,962
East Middle School	51,575	124,903	105,861	(150)	70,467	-	-	-	70,467
West Middle School	32,348	139,264	143,923	367	28,056	-	-	-	28,056
East & West Elem. Basketball	8,016	5,370	6,742	-	6,644	-	-	-	6,644
Community Education	1,981	7,067	6,400	(50)	2,598	-	-	-	2,598
Central Account	13,879	45,653	43,272	(24)	16,236	-	-	-	16,236
	406,854	1,095,946	1,052,008	(379)	450,413	-	15,086	-	435,327
TRUST FUNDS:									
McDavid Hicks Scholarship	19,852	295	1,500	-	18,647	-	-	18,647	-
Hamilton Mem. Scholarship	120,007	1,855	-	-	121,862	-	-	121,862	-
McKenzie Mem. Scholarship	6,212	96	-	-	6,308	-	-	6,308	-
Smantha Holbrook Mem. Fund	-	-	-	182	182	-	-	182	-
Thompson K. Bonzo Estate	10,714	193	-	-	10,907	-	-	10,907	-
John "Hop" Brown Scholarship	29,373	474	1,000	-	28,847	-	-	28,847	-
Bill Ticknor Mem. Camp	2,279	35	-	-	2,314	-	-	2,314	-
Morman Mem. Fund	-	-	-	97	97	-	-	97	-
Peggy Owens Mem. Fund	-	-	-	100	100	-	-	100	-
	188,437	2,948	2,500	379	189,264	-	-	189,264	-
TOTAL SCHOOL ACTIVITY AND TRUST FUNDS	\$ 595,291	\$ 1,098,894	\$ 1,054,508	\$ -	\$ 639,677	\$ -	\$ 15,086	\$ 189,264	\$ 435,327

**CARTER COUNTY SCHOOL DISTRICT
EAST CARTER HIGH SCHOOL
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
For the Year Ended June 30, 2009**

	Cash Balance July 1, 2008	Receipts	Disbursements	Transfers	Cash Balance June 30, 2009	Accounts Receivable June 30, 2009	Accounts Payable June 30, 2009	Deposits Held in Custody For Students June 30, 2009
ACCOUNTS:								
4H Club	\$ -	\$ 163	\$ 45		\$ 118	\$ -	\$ -	\$ 118
Academic Club	6	34			40	-	-	40
Advance P.E.	33	-	-	-	33	-	-	33
Art Club	237	-	237	-	-	-	-	-
Band	-	358	2,158	1,800	-	-	-	-
Beta Club	1,081	180	114		1,147	-	-	1,147
Central	19,281	8,688	9,770	(1,610)	16,589	-	-	16,589
Champions Against Drugs	165	-	255	90	-	-	-	-
Chorus	44	109,733	105,819	-	3,958	-	-	3,958
Class of 2008	514	-	200	-	314	-	-	314
Culinary Art	282	196	-	-	478	-	-	478
Drama Club	254	500	325	245	674	-	-	674
EC Productions	36	-	-	-	36	-	-	36
FBLA	471	5,407	5,768	-	110	-	-	110
FCA	159	-	-	-	159	-	-	159
FCCLA	884	11,180	10,447		1,617	-	-	1,617
FFA	3,036	1,295	3,068	503	1,766	-	-	1,766
FMD	807	-	-	-	807	-	-	807
French Account	-	3,295	2,890	(245)	160	-	-	160
FEA	55	250	248	-	57	-	-	57
Gifted	534	-	534	-	-	-	-	-
Guidance	1,170	2,562	156	-	3,576	-	-	3,576
James E. Riley Art Award	1,451	22	200	-	1,273	-	-	1,273
JROTC	4,488	9,100	9,929	250	3,909	-	-	3,909
KY Jr. Historical Society	207	-	-	-	207	-	-	207
Library	4,401	866	960	69	4,376	-	-	4,376
Math Dept.	1,068	472	584	-	956	-	-	956
Parking Fee Account	2,356	1,020	352	-	3,024	-	-	3,024
Physics Club	142	-	-	-	142	-	-	142
Raider Newspaper	131	-	-	-	131	-	-	131
Raider Rock Café	58	-	-	-	58	-	-	58
SADD	2,038	-	-	-	2,038	-	-	2,038
Science Club	758	-	226	-	532	-	-	532
Spanish Club	725	-	272	-	453	-	-	453
Teachers Lounge	3,367	3,821	1,855	-	5,333	-	-	5,333
Textbooks	2,597	1,006	1,385	-	2,218	-	-	2,218
Weird Science	380	960	960	-	380	-	-	380
Yearbook	9,718	7,375	7,528	-	9,565	-	-	9,565
Shirt Account	648	-	-	-	648	-	-	648
Class of 2009	2,991	3,953	2,816	(800)	3,328	-	-	3,328
Class of 2010	110	12,262	9,000	(51)	3,321	-	-	3,321
Class of 2011	-	140	-	-	140	-	-	140
Class of 2012	-	30	-	-	30	-	-	30
Award Account	668	-	-	-	668	-	-	668
Computer Lab	87	-	-	-	87	-	-	87
Astronomy Club	60	-	-	-	60	-	-	60
Interior Design Class	42	62	-	-	104	-	-	104
Hospitality services	-	2,817	2,526	-	291	-	-	291
Youth Crime Watch	44	-	-	-	44	-	-	44
Health and P.E.	643	2,568	2,368	-	843	-	-	843
Athletics	8,631	10,600	5,666	(3,306)	10,259	-	-	10,259
AP Class	-	214	453	297	58	-	-	58
Entrepreneurship Class	-	1,521	986	(18)	517	-	-	517
DECA	-	521	491	-	30	-	-	30
Baseball	587	9,175	11,031	1,269	-	-	-	-
Basketball - Boys	236	21,160	26,168	4,773	1	-	-	1
Basketball - Girls	171	17,925	21,131	3,044	9	-	-	9
Cheerleaders	1,073	5,101	3,235	-	2,939	-	-	2,939
Cross Country	621	1,376	1,569		428	-	-	428
District Basketball Tournament	-	22,302	14,271	(8,031)	-	-	-	-
Football	13	23,458	23,522	226	175	-	-	175
Golf - Boys	59	3,085	2,264	-	880	-	-	880
Golf - Girls	453	1,579	828	-	1,204	-	-	1,204
Soccer - Boys	2,141	5,817	2,863	106	5,201	-	-	5,201
Soccer - Girls	2,592	6,686	5,796	106	3,588	-	-	3,588
Softball	5,443	4,916	4,847	368	5,880	-	-	5,880
Sports Medicine	570	-	-	-	570	-	-	570
Tennis	1,800	1,128	1,190	-	1,738	-	-	1,738
Track - Boys	963	1,241	3,348	1,144	-	-	-	-
Track - Girls	1,045	1,241	1,508	(464)	314	-	-	314
Volleyball - Girls	231	4,382	4,203	(50)	360	-	-	360
TOTALS	\$ 94,856	\$ 333,743	\$ 318,365	\$ (285)	\$ 109,949	\$ -	\$ -	\$ 109,949

**CARTER COUNTY SCHOOL DISTRICT
WEST CARTER HIGH SCHOOL
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
SCHOOL ACTIVITY FUNDS
June 30, 2009**

	Cash Balance July 1, 2008	Receipts	Disbursements	Transfer	Cash Balance June 30, 2009	Accounts Receivable June 30, 2009	Accounts Payable June 30, 2009	Deposits Held in Custody For Students June 30, 2009
ACCOUNTS:								
4H Club	\$ 54	\$ -	\$ -	\$ -	\$ 54	\$ -	\$ -	\$ 54
Band	1,978	673	697	-	1,954	-	-	1,954
Beta Club	1,073	2,627	2,238	-	1,462	-	-	1,462
Cadet Account	1,017	250	1,203	-	64	-	-	64
Central	5,147	6,815	9,355	(18)	2,589	-	-	2,589
Chorus	27	-	-	-	27	-	-	27
Class of 2007	430	-	-	-	430	-	-	430
Drama Club	285	-	-	-	285	-	-	285
Environmental Club	56	-	-	-	56	-	-	56
FBLA	64	489	144	-	409	-	-	409
FCA	214	-	-	-	214	-	-	214
FCCLA	327	1,465	1,478	-	314	-	-	314
FFA	32,163	38,384	33,154	-	37,393	-	-	37,393
FMD	73	1,496	1,131	-	438	-	-	438
Gifted NY	-	23,678	23,678	-	-	-	-	-
Guidance	547	904	1,204	-	247	-	-	247
Home Economics	29	-	-	-	29	-	-	29
Journalism	81	1,486	1,286	-	281	-	-	281
KUNA	-	482	-	-	482	-	-	482
Library	556	2,683	3,558	1,476	1,157	-	-	1,157
Math Department	1,016	3,680	3,835	-	861	-	-	861
Peer Listeners	17	-	-	-	17	-	-	17
Prom Account	246	4,608	7,481	4,500	1,873	-	-	1,873
Seek Club	45	-	-	-	45	-	-	45
Senior Farwell	582	3,545	2,425	-	1,702	-	-	1,702
Spanish Club	299	5,426	5,297	-	428	-	-	428
Teachers Lounge	157	108	138	-	127	-	-	127
Textbooks	1,043	65	-	-	1,108	-	-	1,108
Yearbook	7,634	10,200	8,911	-	8,923	-	-	8,923
Samantha Holbrook	182	-	-	(182)	-	-	-	-
Special ED	-	130	81	-	49	-	-	49
Class of 2009	3,344	6,147	4,279	(2,500)	2,712	-	-	2,712
Class of 2010	88	11,059	6,300	(2,000)	2,847	-	-	2,847
Class of 2011	1,725	4,307	2,130	-	3,902	-	-	3,902
Class of 2012	-	492	340	-	152	-	-	152
AP Club	-	3,588	1,183	-	2,405	-	-	2,405
Athletics	-	4,704	2,788	(1,415)	501	-	-	501
Baseball	2,944	7,132	9,746	-	330	-	-	330
Basketball - Boys	6,182	24,391	21,306	-	9,267	-	-	9,267
Basketball - Girls	6,727	9,734	15,903	(35)	523	-	-	523
Cheerleaders	1	4,909	4,910	-	-	-	-	-
Cross Country	910	2,490	3,730	350	20	-	-	20
District Softball Tournament	-	729	947	218	-	-	-	-
Football	666	30,489	30,334	18	839	-	15,086	(14,247)
Golf - Boys	928	3,912	5,306	620	154	-	-	154
Golf-Girls	1,020	1,650	2,626	-	44	-	-	44
Regional Softball Tournament	-	4,135	3,915	(220)	-	-	-	-
Soccer - Girls	665	4,023	2,832	-	1,856	-	-	1,856
Softball	939	4,805	3,816	-	1,928	-	-	1,928
Sports Medicine	645	1,000	920	50	775	-	-	775
Tennis	1,310	2,261	3,364	-	207	-	-	207
Track - Boys	157	2,920	3,522	445	-	-	-	-
Volleyball - Girls	10	3,814	3,424	-	400	-	-	400
Dearfield	-	205	-	-	205	-	-	205
TOTALS	\$ 83,603	\$ 248,090	\$ 240,915	\$ 1,307	\$ 92,085	\$ -	\$ 15,086	\$ 76,999

Carter County Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

FEDERAL GRANTOR/PASS THROUGH GRANT/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR NUMBER	PROGRAM EXPENDITURES
UNITED STATES DEPARTMENT OF AGRICULTURE			
Child Nutrition Clusters:			
Passed through Kentucky Department of Education:			
NATIONAL SCHOOL LUNCH PROGRAM	10.555	7750002-08	\$ 265,009
NATIONAL SCHOOL LUNCH PROGRAM	10.555	7750002-09	878,039
SCHOOL BREAKFAST PROGRAM	10.553	7760005-08	94,638
SCHOOL BREAKFAST PROGRAM	10.553	7760005-09	337,464
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	7690024-08	3,032
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	7740023-08	45,643
			<u>1,623,825</u>
Passed through State Department of Agriculture:			
FOOD DISTRIBUTION PROGRAM	10.550	N/A	<u>137,408</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>1,761,233</u>
UNITED STATES DEPARTMENT OF EDUCATION			
Passed through Kentucky Department of Education:			
ENHANCING EDUCATION THROUGH TECHNOLOGY	84.318	3210002-08	<u>15,087</u>
			<u>15,087</u>
CAREER AND TECHNICAL EDUCATION	84.048	4620832-07	12,119
CAREER AND TECHNICAL EDUCATION	84.048	4610910-08	1,165
CAREER AND TECHNICAL EDUCATION	84.048	4620832-08	<u>47,654</u>
			<u>60,938</u>
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	3100002-07	213,250
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	3100002-08	1,451,392
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	3100201-07	45,793
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	3100202-08	45,775
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	3100202-07	57,349
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	3100302-08	73,114
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	3100302-07	71,473
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES-ARRA	84.389A	N/A	<u>128,409</u>
			<u>2,086,555</u>
Special Education Cluster: (IDEA):			
SPECIAL ED- PRESCHOOL	84.173	3800002-07	59,686
SPECIAL EDUCATION GRANTS TO STATES-IDEA,PART B	84.027	3810002-08	867,117
SPECIAL EDUCATION GRANTS TO STATES-IDEA-ARRA	84.391A	N/A	122,635
SPECIAL ED- PRESCHOOL-ARRA	84.392A	N/A	<u>14,396</u>
			<u>1,063,834</u>
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES GRANTS	84.186	3410002-07	-
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES GRANTS	84.186	3410002-08	<u>21,513</u>
			<u>21,513</u>
EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.196	3990002-07	4,948
EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.196	3990002-08	<u>54,227</u>
			<u>59,175</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	3230002-08	<u>384,561</u>
			<u>384,561</u>
STATE GRANTS FOR INNOVATIVE PROGRAMS	84.298	3500002-07	<u>9,092</u>
			<u>9,092</u>
MIGRANT EDUCATION-STATE GRANT PROGRAM	84.011	3110002-07	<u>22,304</u>
			<u>22,304</u>
RURAL EDUCATION	84.358	3140002-07	24,513
RURAL EDUCATION	84.358	3140002-08	<u>65,103</u>
			<u>89,616</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>3,812,675</u>
NATIONAL SCIENCE FOUNDATION			
Passed through University of Kentucky :			
MATHEMATICAL AND PHYSICAL SCIENCES	47.049	HER-0227028	<u>16,493</u>
TOTAL NATIONAL SCIENCE FOUNDATION			<u>16,493</u>
U.S. DEPARTMENT OF DEFENSE			
Direct Program:			
ROTC	12.000	5048	<u>130,731</u>
TOTAL U.S. DEPARTMENT OF DEFENSE			<u>130,731</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICES			
Passed through Kentucky Department of Education:			
NATIONAL COMMUNITY SERVICE	94.004	1000002-08	4,788
NATIONAL COMMUNITY SERVICE	94.004	1000002-07	<u>631</u>
			<u>5,419</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 5,726,551</u>

The accompanying Notes to Schedule of Expenditures of Federal Awards
are an integral part of this statement.

Carter County Schools
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the activity of the District's federal award programs presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

DONALD R. GOSSETT & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Kentucky State Committee for
School District Audits
Members of the Board of Education
Carter County School District
Grayson, Kentucky

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Carter County School District (District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued my report thereon dated November 14, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I to the *Independent Auditor's Contract-General Audit Requirements* and Appendix II to the *Independent Auditor's Contract-State Audit Requirements*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board and management of the District, the Kentucky Department of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Donald R. Gossett & Company

Donald R. Gossett & Company, LLC
Certified Public Accountant

Ironton, Ohio
November 14, 2009

DONALD R. GOSSETT & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANT

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Kentucky State Committee for
School District Audits
Members of the Board of Education
Carter County School District
Grayson, Kentucky

Compliance

I have audited the compliance of the Carter County School District (District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. My responsibility is to express an opinion on the District's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the District's compliance with those requirements.

In my opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board and management of the District, the Kentucky Department of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Donald R. Gossett & Company

Donald R. Gossett & Company, LLC
Certified Public Accountant

Ironton, Ohio
November 14, 2009

CARTER COUNTY SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2009**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Carter County School District.
2. The audit did not disclose any significant deficiencies.
3. No instances of noncompliance material to the financial statements of Carter County School District were disclosed during the audit.
4. The audit did not disclose any significant deficiency in internal control over major federal award programs.
5. An unqualified opinion was issued on compliance over major programs.
6. The auditor's report on compliance for the major federal award programs for Carter County School District expresses an unqualified opinion on all major federal programs.
7. The programs tested as major programs included:
 - Special Education Cluster (IDEA) (84.027 and 84.173)
 - Special Education-ARRA Cluster (84.391A)
 - Special Education-ARRA (84.392A)
 - Food Distribution Program (10.550)
 - JROTC (12.000)
 - Title I Grants to Local Education Agencies-ARRA (84.389A)
8. The dollar threshold used for distinguishing Types A and B programs was \$300,000.
9. The Carter County School District was determined to be low-risk auditee.

**B. FINDINGS RELATING TO THE FINANCIAL STATEMENTS REQUIRED TO
BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED
GOVERNMENT AUDITING STANDARDS**

None noted in current year.

C. FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None noted in current year.

CARTER COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2009

None noted in prior year.

CARTER COUNTY SCHOOL DISTRICT

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2009**

There were no findings requiring corrective action.

District contact person:

Jerry A. Lyons, Financial Officer
Carter County Schools
228 South Carol Malone Blvd.
Grayson, Kentucky 41143
(606) 474-6696
EIN- 61-6001284

Name and address of independent
Accounting firm:

Donald R. Gossett & Company, LLC
Certified Public Accountant
PO Box 112
Ironton, Ohio 45638
(866)844-1350
EIN-26-2520608